ESTGROWTH PETROLEUMS LTD.

Directors Eric C. Gronberg

L. Lamont Gordon Allan R. Twa Richard Wengren Harold M. Wright

Officers

Eric C. Gronberg
President
J. Leslie Watson
Vice President Exploration
Allan R. Twa
Secretary
Magdalena E. Robutka
Treasurer

Head Office

Suite 470 407 - 8th Avenue S.W., Calgary, Alberta

Registered Office 555 Burrard Street Vancouver, B.C.

Auditors
Thorne Riddell & Co.
Calgary, Alberta

Bankers The Royal Bank of Canada Calgary, Alberta

Solicitors Burnet, Duckworth & Palmer Calgary, Alberta

Registrar and Transfer Agent Guaranty Trust Company of Canada Vancouver, B.C. and Calgary, Alberta

Stock Listing Vancouver Stock Exchange Trading Symbol: WGP



L. Lamont Gordon



Allan R. Twa



Richard Wengren



Harold M. Wright



J. Leslie Watson



Magdalena E. Robutka

Annual Meeting
June 8, 1979
Bayshore Inn — 11:00 a.m.
The Chairman Room
Vancouver, B.C.

To the Shareholders:

On behalf of your new Board of Directors and as the new President, it is my privilege to report to you on Freehold's activities during 1978 and those anticipated or already completed for 1979.

In spite of the cutback in gas purchases by TransCanada PipeLines from the Company's Retlaw field in southern Alberta, and the lack of new exploration or development activity, revenues totalled \$246,741 compared to \$330,082 the previous year. Net earnings declined from \$80,761 in 1977 to \$35,802, or from \$.03 per share to \$.013 per share respectively.

Beginning in December 1978, a proposal to reorganize Freehold by effecting new capital and new exploration-oriented management was initiated by Gordon Resources Ltd. This move to revitalize the Company was completed February 1, 1979 and resulted in the following:

- 1) The injection of \$1,000,000 of new equity into the Company through the sale of 100,000 Convertible Preferred Shares.
- 2) The installation of the following new Officers and Directors in the Company:

Eric C. Gronberg	President & Director (formerly Canadian Division Manager of Wainoco Oil & Gas Ltd.)
L. Lamont Gordon	Director (Chairman of the Board of Gordon Resources Limited, Toronto)
Allan R. Twa	Secretary & Director (Attorney and Partner; Burnet, Duckworth & Palmer, Calgary)
Richard Wengren	Director (Retired President of The Baystate Corp., Lincoln, Mass.)
Harold M. Wright	Director (Chairman of the Board of Wright Engineers Limited,

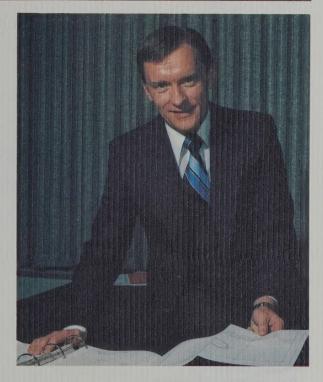
J. Leslie Watson

Vice President Exploration
(formerly Chief Geologist of
Wainoco Oil & Gas Ltd.)

Magdalena E. Robutka Treasurer (Executive Secretary of Westgrowth Petroleums Ltd.)

Vancouver)

- The acquisition of 853,251 common shares or 49.6% of Westgrowth Investments Limited, which in turn control 33.2% of Westgrowth Petroleums Ltd. (N.P.L.).
- 4) The change in name from Freehold Gas & Oil Ltd., to Westgrowth Petroleums Ltd. (N.P.L.).
- 5) The signing of a Joint Venture Agreement between Westgrowth Petroleums Ltd. and The Resource Service Group Ltd., whereby a minimum of \$2,000,000 has been committed over the next two years for exploration and development and J. M. S. Lecky, Chairman of The Resource Service Group Ltd., will join Westgrowth's Board of Directors.
- 6) The initiation of a Canadian Drilling Fund which should result in an additional \$2,000,000 - \$4,000,000 being available in 1979 for Westgrowth's exploration effort.



All of the foregoing events signal a new era for your Company. During the first quarter of 1979 Westgrowth has already acquired an interest in 12,944 acres of land, and committed to participate in several wells in Alberta and British Columbia. The combination of the monies provided by The Resource Service Group and the proposed Canadian Drilling Fund should enable participation in some 20 - 25 wells of the low to medium risk variety.

In addition, considerable effort will be spent to improve upon the declining cash flow situation from the Company's Retlaw property as well as maximizing the undeveloped potential for additional oil and gas reserves.

To conclude, 1979 promises to be a year of exciting new developments for Westgrowth, and I look forward to the impact these events will have on your Company.

On behalf of the Board of Directors,

E. C. Gronberg President Westgrowth Petroleums Ltd. (N.P.L.) (Note 1)

Assets	Pro-forma 1978	1978	1977
	(note 6)		HEILIT
Current Assets			
Cash	\$1,013,966	\$259,967	\$207,307
Accounts receivable	84,773 15,526	84,772 15,526	102,196 15,526
Deposits	1,114,265	360,265	325,029
Parachine to a contract of a contract of		55,750	55,750
Investment, at cost (note 3)	55,750 175.000		35,730
Investment in Westgrowth Investments Limited	175,000		
Fixed Assets Petroleum and natural gas leases and rights together with development and equipment thereon, at cost			
Producing	539,501 279,460	539,501 279,460	539,501 261,424
	260,041	260,041	278,077
Non-producing	57,994	57,994	57,994
	318,035	318,035	336,071
	\$1,663,050	\$734,050	\$716,850
Liabilities	Pro-forma 1978	1978	1977
	(note 6)	1	- 1
Current Liabilities Accounts payable Bank production loan, secured	\$ 94,073	\$ 94,073	\$ 80,571
Bank production loan, secured	18,000	18,000	80,571
Bank Production Loan	112,070	112,070	
	-		58,800
Deferred Production Revenue	8,696	8,696	_
Shareholders' Equity			
Capital Stock			
Authorized			
Balance sheet 5,000,000 common shares of no par value			
Pro-forma balance sheet			
10,000,000 common shares of no par value 126,500 cumulative, redeemable, convertible, preferred shares of \$10 each par value having an annual dividend rate of \$1 per share			
Issued			
Balance sheet			
2,669,008 common shares Pro-forma balance sheet	1,768,722	1,764,722	1,764,722
126,500 preferred shares	1,265,000	_	_
Deficit	(1,201,441)	(1,151,441)	(1,187,243
	1,832,281	613,281	577,479
Less Westgrowth Petroleums' interest in its shares			
held by Westgrowth Investments (note 6)	(290,000)	-	
Anaround by the Board Director Leb Hur Tu	1,542,281	613,281	577,479
Approved by the Board Director Director	\$1,663,050	\$ 734,050	\$ 716,850
Hamin Jewil			1146

Statement of Earnings and Deficit Year ended December 31, 1978 Westgrowth Petroleums Ltd. (N.P.L.) (Note 1)

Gain on sale of fixed assets. — 1 7 1.5 Interest and other 16,977 6,67 6,67 3,00 246,741 330,00 2246,741 330,00 2246,741 330,00 2246,741 330,00 22,044 22,044 22,044 5,00 6,56 6,66 6,66 6,66 6,66 6,66 6,66 6,66 6,66 6,69 7,69 8,69 8,19 7,19 8,19 7,19 8,19 7,19 8,19 8,19 8,19 8,19 8,19 8,19 8,19 8,19 8,19 <th>Revenue</th> <th>1978</th> <th>1977</th>	Revenue	1978	1977
Teleprocest and other 16,977 6,67 246,741 330,08 Expenses Production 74,322 84,645 27,55 26,000 26,000 27,996 8,500 27,996 27,		\$ 229,764	
Production		16,977	
Production 74 332 8,65 84.55 2.0445 27,75 2.0445 27,75 2.0445 27,75 2.0445 27,75 2.0445 27,75 2.0446 27,75 8.56 6.00 8.56 6.00 8.56 8.50 8.5			330,08
Production 74 332 8,65 84.55 2.0445 27,75 2.0445 27,75 2.0445 27,75 2.0445 27,75 2.0445 27,75 2.0446 27,75 8.56 6.00 8.56 6.00 8.56 8.50 8.5	Expenses		
Geological General and administrative 17,996 (aperat and administrative) 87,49 (aperat and administrative) 118,752 (aperat and administrative) 115,989 (aperat and administrative) 41,90 (aperat and administrative) 2,047 (aperat aperat and 2,047 (aperat aperat approximate appr		74,332	84,65
General and administrative 108,752 87,42 Depletion 15,999 41,990 Depreciation 2,047 2,28 Interest 4,083 8,29 Abandoned properties -18,00 233,644 278,90 Earnings Before Income Taxes and Extraordinary Item 13,097 51,18 Income Taxes 24,380 36,28 Alberta Royalty Tax Credit (22,705) (29,58) Earnings before extraordinary Item 11,442 44,47 Extraordinary Item 24,360 36,28 Recovery of deferred income taxes (note 4) 24,360 36,28 Recovery of deferred income taxes (note 4) 24,360 36,28 Recovery of deferred income taxes (note 4) 24,360 36,28 Recovery of deferred income taxes (note 4) \$0,05 \$0,05 Deficit at End of Year \$1,151,441 \$1,187,24 Post Stare Earnings before extraordinary Item \$0,05 \$0 Statement of Changes in Financial Position \$0,05 \$0 Very Starte (earnings) Earnings before extraordinary Item<			
Depletion 15,989 41,90 Depreciation 2,047 2,288 Interest 4,083 6,29 Abandoned properties 233,644 278,90 Earnings Before Income Taxes and Extraordinary Item 13,097 51,18 Income Taxes 24,360 36,281 Deferred 24,360 36,281 Alberta Royalty Tax Credit (22,705) (29,581 Earnings before extraordinary item 11,442 44,47 Extraordinary Item 24,360 36,281 Left Earnings 35,802 80,76 Deficit at beginning of year 1,187,243 1,268,00 Deficit at End of Year \$1,151,441 \$1,137,24 Per Share Earnings before extraordinary item \$.005 \$.00 Statement of Changes in Financial Position \$.01 \$.00 Vestgrowth Form 1978 1977 Operations \$.01 \$.01 Earnings before extraordinary item \$.01 \$.01 Vestgrowth Potentions Ltd. (N.P.L.) (Note 1) \$.01			
Depreciation 2,047 2,284 Interest 4,083 8,29 Abandoned properties — 18,00 Earnings Before Income Taxes and Extraordinary Item 13,097 51,18 Income Taxes — 24,360 36,281 Deferred 2,23,00 36,281 36,281 Alberta Royalty Tax Credit 22,300 (22,2705) (29,581) Earnings before extraordinary item 11,442 44,477 24,460 36,281 Recovery of deferred income taxes (note 4) 24,360 36,288 36,281 36,288 36,289 36,720			
Abandoned properties			
233,644 278,90		4,083	
Statement of Changes in Financial Position Statement of Change	Abandoned properties		18,00
Deferred 24,360 36,28 Alberta Royalty Tax Credit (22,705) (29,58 1,655 6,70 11,442 44,47 Extraordinary Item 11,442 44,47 Extraordinary Item 24,360 36,28 Recovery of deferred income taxes (note 4) 24,360 36,28 Ret Earnings 35,802 80,76 Deficit at beginning of year 1,187,243 1,268,00 Deficit at End of Year \$1,151,441 \$1,187,24 Per Share Earnings \$0.005 \$0.005 Net earnings \$0.013 \$0.005 Net earnings \$0.013 \$0.005 Statement of Changes in Financial Position Fear ended December 31, 1978 Westgrowth Petroleums Ltd. (N.P.L.) (Note 1) Working Capital Derived From 1978 1977 Operations 1978 1978 Earnings before extraordinary item \$11,442 \$44,478 Items not requiring working capital 42,396 97,328 Deferred production revenue 8,696 — Earnings Capital Applied To 62,534 158,35 Working Capital Applied To 58,800 40,800 Fixed assets — 558,800 41,351 Increase in Working Capital at beginning of year 244,458 127,455 Morking capital at beginning of year 244,458 127,455 Contrading the production of		233,644	278,90
Deferred	Earnings Before Income Taxes and Extraordinary Item	13,097	51,18
Alberta Royalty Tax Credit (22,705) (29,58) (1,655 6,70)	ncome Taxes		
1,655 6,700			
Earnings before extraordinary item Recovery of deferred income taxes (note 4) Recovery of deferred income taxes (note 4) Recovery of deferred income taxes (note 4) Set Earnings Set Earnings Set Earnings Deficit at beginning of year 1,187,243 1,268,000 1,187,243 1,268,000 1,187,243 1,1		-	
Recovery of deferred income taxes (note 4) 24,360 36,286 Ret Earnings 35,802 80,76 Deficit at beginning of year 1,187,243 1,268,000 Deficit at End of Year \$1,151,441 \$1,187,243 Per Share Earnings before extraordinary item \$.005 \$.00 Net earnings \$.013 \$.00 Statement of Changes in Financial Position Pear ended December 31, 1978 Westgrowth Petroleums Ltd. (N.P.L.) (Note 1) Working Capital Derived From 1978 1977 Changes in Financial Position 1978 1977 Proceeds on sale of fixed assets 7,838 141,800 Proceeds on sale of fixed assets 7,838 141,800 Proceeds on sale of fixed assets 7,838 141,800 Proceeds on sale of fixed assets 7,858 Deferred production revenue 8,696 7,829 Reduction of bank production loan 58,800 40,800 Fixed assets 7,858 56,800 41,355 Reduction of bank production loan 58,800 41,355 Reduction of bank production loan 58,800 41,355 Reduction of bank production loan 3,734 117,000 Working capital at beginning of year 244,458 127,455	Earnings before extraordinary item		
Statement of Changes in Financial Position 1978 1977 1978 1978 1978 1978 1979 1978 1979 1978 1979 1978 1979 1978 1979 1978 1979 1978 1979 1978 1979 1978 1979 1978 1979 1978 1979 1978 1979	Extraordinary Item		
Deficit at beginning of year	Recovery of deferred income taxes (note 4)	24,360	36,28
Deficit at End of Year \$1,151,441 \$1,187,242 Per Share \$.005 \$.0 Earnings before extraordinary item \$.005 \$.0 Net earnings \$.013 \$.0 Statement of Changes in Financial Position Cear ended December 31, 1978 Procession Procession 1978 1977 1978 1977 1978 1977 1978 1977 1978 1977 1978 1977 1978 1977 1978 1977 1978 1977 1978 1977 1978 1978 1978 1977 1978 1978 1978 1977 1978	Net Earnings		
Per Share \$.005 \$.005 Net earnings \$.013 \$.00 Statement of Changes in Financial Position *** *** (ear ended December 31, 1978 *** *** Westgrowth Petroleums Ltd. (N.P.L.) (Note 1) *** *** Working Capital Derived From Operations *** <	Deficit at beginning of year	1,187,243	1,268,004
Statement of Changes in Financial Position Statement of Change	Deficit at End of Year	\$1,151,441	\$1,187,243
Statement of Changes in Financial Position	Per Share		
Statement of Changes in Financial Position Vear ended December 31, 1978 Vestgrowth Petroleums Ltd. (N.P.L.) (Note 1) Vorking Capital Derived From Operations	Earnings before extraordinary item	\$.005	\$.02
Vestgrowth Petroleums Ltd. (N.P.L.) (Note 1) Working Capital Derived From Operations Earnings before extraordinary item Earnings before extraordinary item Items not requiring working capital Proceeds on sale of fixed assets Deferred production revenue Norking Capital Applied To Reduction of bank production loan Fixed assets Sequence of the production loan Se	Net earnings	\$.013	\$.03
Operations 1978 1977 Earnings before extraordinary item \$ 11,442 \$ 44,478 Items not requiring working capital 42,396 97,328 53,838 141,80 Proceeds on sale of fixed assets — 16,555 Deferred production revenue 8,696 — 62,534 158,355 Working Capital Applied To 58,800 40,800 Fixed assets — 55 58,800 41,355 41,355 Increase in Working Capital 3,734 117,000 Working capital at beginning of year 244,458 127,456	Statement of Changes in Financial Position Year ended December 31, 1978 Westgrowth Petroleums Ltd. (N.P.L.) (Note 1)		
Sample S	Working Capital Derived From	1978	1977
Items not requiring working capital 42,396 97,326 53,838 141,80 Proceeds on sale of fixed assets — 16,555 Deferred production revenue 8,696 — 62,534 158,355 Working Capital Applied To 58,800 40,800 Fixed assets — 55 55,800 41,355 Increase in Working Capital 3,734 117,000 Working capital at beginning of year 244,458 127,456			
Proceeds on sale of fixed assets	Items not requiring working capital		
Deferred production revenue 8,696 — 62,534 158,35 Vorking Capital Applied To S8,800 40,80 Fixed assets — 55 58,800 41,35 Increase in Working Capital 3,734 117,00 Vorking capital at beginning of year 244,458 127,45		53,838	
Vorking Capital Applied To 58,800 40,80 Reduction of bank production loan 58,800 40,80 Fixed assets — 55 58,800 41,35 Increase in Working Capital 3,734 117,00 Vorking capital at beginning of year 244,458 127,45		8 606	16,55
Working Capital Applied To Reduction of bank production loan 58,800 40,800 Fixed assets - 55 58,800 41,35 Increase in Working Capital 3,734 117,000 Working capital at beginning of year 244,458 127,450	,		158,35
Reduction of bank production loan 58,800 40,80 Fixed assets — 55 58,800 41,35 Increase in Working Capital 3,734 117,00 Working capital at beginning of year 244,458 127,45	Vorking Canital Applied To		
58,800 41,35 ncrease in Working Capital 3,734 117,00 Vorking capital at beginning of year 244,458 127,45		58,800	40,80
Norking capital at beginning of year	Fixed assets		
Norking capital at beginning of year		58,800	41,35
	ncrease in Working Capital	3,734	117,000
Norking Capital at End of Year \$248,192 \$244,456	Norking capital at beginning of year	244,458	127,458
	Working Capital at End of Year	\$248,192	\$244,458

Notes to Financial Statements

Year ended December 31, 1978

Westgrowth Petroleums Ltd. (N.P.L.) (Note 1)

1. Change of Name

The company changed its name to Westgrowth Petroleums Ltd. (N.P.L.) from Freehold Gas and Oil Ltd. on January 12, 1979.

2. Accounting Policies

a) Oil and Gas Properties

Exploration expenses and carrying charges of both producing and non-producing properties are charged to earnings as incurred. Lease acquisition costs are capitalized and are charged to earnings if the lease is subsequently surrendered. The cost of drilling a productive well is capitalized and the cost of an unproductive well is charged to earnings when determined to be dry. The costs of producing leases and the costs of drilling producing wells are amortized using the unit of production method based upon estimated recoverable quantities of oil and gas. Depreciation of production equipment, applied on the declining balance method, is based upon its estimated service life.

b) Income Taxes

The company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the company provides for deferred income taxes to the extent that income taxes otherwise payable are eliminated by claiming capital cost allowances and exploration and development costs in excess of the depreciation and depletion provisions reflected in its accounts.

3. Investment

The investment in Mid-Can Exploration Ltd. represents approximately 13% of the outstanding shares of that company.

4. Income Taxes

As at December 31, 1978, the company had loss carry-forwards, exploration and development costs and capital cost allowances available for deduction against future taxable income as follows (all subject to final determination by taxation authorities):

Loss carry-forwards (expire in varying amounts beginning in 1979) \$ 40,000 Exploration and development costs . 833,000 Undepreciated capital cost . 55,000

5. Executive Remuneration

Included in general and administrative expense is directors' and senior officers' remuneration of \$36,000.

6. Subsequent Events

Subsequent to December 31, 1978, the company completed the following transactions:

- a) increased its authorized capital stock to 10,000,000 shares of no par value and 126,500 cumulative, redeemable, convertible preferred shares of \$10 each par value having an annual dividend rate of \$1 per share:
- b) issued 100,000 preferred shares at par for \$1,000,000 cash and paid a commission of \$50,000 in respect thereof;
- c) issued, for an aggregate price of \$4,000, warrants to purchase common shares as follows:
 - i) 200,000 shares at \$.50 per share expiring December 31, 1981.
 - ii) 200,000 shares at a price of \$.50 per share in 1979, increasing by \$.10 per share for each year subsequent to 1979, expiring December 31, 1983;

d) purchased 853,251 common shares (49.6% of the outstanding shares) of Westgrowth Investments Limited, a public company having principal assets of 884,922 common shares (33.2%) of Westgrowth Petroleums and Frontier Mud Logging (a division engaged in the supply of services to the petroleum industry), for a consideration of \$200,000 cash and 26,500 preferred shares of Westgrowth Petroleums.

Because of the materiality of the above transactions and to provide shareholders with an understanding of the financial position of the company subsequent to the completion thereof, a pro-forma balance sheet giving effect to the transactions as at December 31, 1978 has been included in the financial statements.

Since Westgrowth Investments Limited owns 33.2% of the outstanding common shares of Westgrowth Petroleums, Westgrowth Petroleums, (through its investment in Westgrowth), has a 16.5% pro rata interest in its own shares. The investment in Westgrowth and shareholders' equity in the pro-forma balance sheet have therefore been reduced by the allocated portion of the cost of the investment in Westgrowth relating thereto.

Auditors' Report

To the Shareholders of Westgrowth Petroleums Ltd. (N.P.L.) (Note 1)

We have examined the balance sheet and the pro-forma balance sheet of Westgrowth Petroleums Ltd. (N.P.L.) as at December 31, 1978 and the statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In our opinion also, the pro-forma balance sheet presents fairly the financial position of the company as at December 31, 1978 after giving effect, as at that date, to the transactions as outlined in note 6 to the financial statements.

Calgary, Canada March 9, 1979 Thorne Riddell & Co. Chartered Accountants

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LEGEND

• OIL WELL

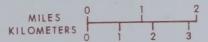
₩ GAS WELL

* OIL AND GAS WELL

- ABANDONED WELL

O LOCATION

X INJECTION WELL





WESTGROWTH PETROLEUMS ACREAGE

(INTEREST VARIES FROM A 2.9% GROSS OVERRIDING ROYALTY UNTIL PAYOUT TO A 90.6% WORKING INTEREST.)

Suite 470, 407 - 8th Avenue S.W., Calgary, Alberta, T2P 1E5 (403) 265-2681